

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Gregory Scott
Edward A. Garvey
Marshall Johnson
LeRoy Koppendrayer
Phyllis A. Reha

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of a Petition for Extended Area
Service from Callaway to Detroit Lakes and
White Earth-Ogema

ISSUE DATE: November 30, 2001

DOCKET NO. P-507,429,421/CP-97-1622

ORDER SETTING EAS RATE ADDITIVES
AND REQUIRING POLLING

PROCEDURAL HISTORY

On October 31, 1997 telephone subscribers in the Callaway exchange filed a petition seeking extended area service (EAS) to the neighboring exchanges of Detroit Lakes and White Earth-Ogema. The Callaway exchange is served by Callaway Telephone Company (Callaway). The Detroit Lakes exchange is currently served by Qwest Communications Inc. (Qwest), and the White Earth-Ogema exchange is served by Twin Valley Ulen Telephone Company.

On July 14, 1999, the Commission issued an Order denying the request for EAS between Callaway and White Earth-Ogema based on its finding that the Callaway/White Earth-Ogema route did not meet the traffic volume threshold requirement. However, the Commission did find that the Callaway/Detroit Lakes route met the threshold requirements of adjacency and traffic volume and directed the incumbent local exchange carriers serving Callaway and Detroit Lakes to determine the cost of installing and operating the proposed routes and to develop proposed rates to recover those costs. The Commission would then poll Callaway subscribers to determine whether they wanted EAS at those rates.

The companies duly filed their cost studies and proposed rates, but the Commission did not proceed directly to polling. Instead, in a series of Orders issued between November 1998 and May 2001, the Commission addressed a series of new issues posed by the need to adapt EAS to the competitive telecommunications market mandated by state and federal law. With these issues largely settled, the Commission met on November 20, 2001 to again consider the Callaway EAS petition.

FINDINGS AND CONCLUSIONS

I. The Legal Standard

Extended area service is a service arrangement permitting neighboring telephone exchanges to become a single local calling area with toll-free calling. The criteria for establishing EAS and the procedures for determining EAS costs were set by Commission Orders (the EAS Orders) following an industry-wide fact-finding and policymaking proceeding.¹ Briefly, these criteria and procedures are as follows.

- (1) A petitioning exchange must be adjacent to the exchange or local calling area to which it seeks EAS.
- (2) At least 50% of subscribers in the petitioning exchange must make at least three calls per month to the exchange or local calling area to which EAS is sought.
- (3) The companies serving the two exchanges or local calling areas must determine the cost of installing and operating the proposed EAS route, using Commission-approved costing methods, and file proposed rate additives to recover these costs.
- (4) The Commission must poll subscribers in the petitioning exchange on whether they want EAS at the rates adopted by the Commission.
- (5) If 50% of the subscribers responding to the poll vote yes, the EAS route must be installed.

In this case the Commission has determined that the petitioning exchange meets the threshold adjacency and traffic volume requirements for the Callaway/Detroit Lakes route. What remains is to determine the cost of the proposed route, to set rates reflecting those costs, and to poll subscribers in the petitioning exchange.

II. EAS Rate Additives Set

The companies' final cost studies pass muster under the standards set in the EAS Orders. They reflect actual, specific costs and sound accounting methods. They will be accepted.

¹ In the Matter of an Investigation into the Appropriate Local Calling Scope, in Accordance with Minn. Stat. 237.161 (1994), Docket No. P-999/CI-94-296, ORDER REACTIVATING THE PROCESSING OF EAS PETITIONS (October 24, 1995) and ORDER AFTER RECONSIDERATION (February 23, 1996).

The rates based on these cost studies must be adjusted, however, because they reflect the former practice of pooling the total costs of proposed EAS routes and allocating those costs between affected exchanges and companies. While this practice was reasonable and equitable in a monopoly environment, the Commission has found that it is so anti-competitive in its potential effects that it cannot be permitted in the current, competitive environment.² (The exception is School District EAS cases, where the Legislature has required inter-exchange cost-allocation to further overriding public policy goals.)

These adjustments yield the rates set forth below:

EAS Rates for Polling Callaway Exchange³			
Service	Facilities-Based EAS Rate	Lost Access Recovery	Monthly EAS Rate
Residence	\$1.86	\$14.69	\$16.55
Business	\$1.86	\$14.69	\$16.55

² In the Matter of a Petition for Extended Area Service from the Almelund Exchange to the Metropolitan Calling Area, Docket No. P-407, 405, 413, 520, 426, 427, 430, 421/CP-97-1237, ORDER AFTER RECONSIDERATION (November 6, 2000), *reversed in part on the Commission's own motion as to other issues*; In the Matter of a Petition for Extended Area Service from the Osakis Exchange to the Alexandria Exchange, Docket No. 552, 430/CP-98-1148, ORDER ESTABLISHING RATE ADDITIVES AND REQUIRING FURTHER FILINGS (November 6, 2000), *reversed on reconsideration as to other issues*.

³ The residence and business EAS rate additives are the same since the basic local rate is the same for both categories of customers.

EAS Rates For Detroit Lakes (QWEST)			
Service	Facilities-Based EAS Rate	Lost Access/Toll Contribution Recovery	Total Monthly EAS Rate
Residence Flat	\$0.05	\$0.11	\$0.16
Residence Measured	\$0.03	\$0.07	\$0.10
Business Flat; Pub/ Semi-Pub Coin	\$0.13	\$0.27	\$0.40
Business Measured	\$0.09	\$0.16	\$0.25
Trunks; and Centron/ Centrex	\$0.15	\$0.28	\$0.43

III. Polling Ordered

The last step in the EAS decision-making process is to poll subscribers in the petitioning exchange to determine if the majority favors installing EAS at the rates set by the Commission. The Commission will proceed to polling. It will also direct Calaway Telephone Company, the carrier serving the petitioning exchange, to provide the information and cooperation required for a fair and efficient poll.

Finally, the Commission will require that both the polling materials sent to subscribers and any tariffs ultimately filed itemize separately the portion of the EAS rate additive that recovers facilities costs and the portion that recovers lost access revenues and lost toll contribution. This information may be helpful in developing and implementing a universal service funding mechanism or in future rate re-balancing initiatives. To ease administration and prevent confusion, however, monthly bills should show only the total EAS rate.

The Commission will so order.

ORDER

1. The final cost studies filed by the companies are hereby accepted and approved.
2. All subscribers in the Callaway exchange shall be polled on whether they favor installing the EAS routes proposed at the rates approved herein, which are shown below:

EAS Rates for Polling Callaway Exchange⁴			
Service	Facilities-Based EAS Rate	Lost Access Recovery	Monthly EAS Rate
Residence	\$1.86	\$14.69	\$16.55
Business	\$1.86	\$14.69	\$16.55

3. The EAS rate additives approved for subscribers in the Detroit Lakes exchange are as follows:

EAS Rates For Detroit Lakes (QWEST)			
Service	Facilities-Based EAS Rate	Lost Access/Toll Contribution Recovery	Total Monthly EAS Rate
Residence Flat	\$0.05	\$0.11	\$0.16
Residence Measured	\$0.03	\$0.07	\$0.10
Business Flat; Pub/ Semi-Pub Coin	\$0.13	\$0.27	\$0.40
Business Measured	\$0.09	\$0.16	\$0.25
Trunks; and Centron/ Centrex	\$0.15	\$0.28	\$0.43

⁴The residence and business EAS rate additives are the same since the basic local rate is the same for both categories of customers.

4. The EAS rate additives approved herein shall be itemized, in polling materials and in any tariffs ultimately filed, to show which portion of the rate additive will recover facilities costs and which portion will recover lost access revenues and toll contribution. The EAS rate additives shall not be itemized on customers' bills.
5. Callaway Telephone Company shall provide cooperation and assistance to Commission staff and Commission contractors during the polling process. Such cooperation and assistance shall include, but need not be limited to, the following:
 - (a) providing usable, deliverable addresses for all access lines in a format and under time frames set by Commission staff;
 - (b) providing proof of the accuracy of customer lists as requested by Commission staff.
6. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)

This document can be made available in alternative formats (i.e., large print or audio tape) by calling (651) 297-4596 (voice), (651) 297-1200 (TTY), or 1-800-627-3529 (TTY relay service).